

NEWSLINE

Savings Plus Program

First Quarter 2002

Lawmakers Debate Changes to 401(k), 457 Plans

Five bills are pending in the state legislature to revise California's tax code to conform with recent changes in federal pension law. Lawmakers must decide which of the bills works best for the State's budget, employees, and retirees.

As reported in the previous NewsLine, SPP supports this change in state tax law. The change would allow you to take full advantage of the new federal rules with no adverse state tax

consequences. However, if state law is not revised, you could incur a state tax liability if you rolled over a 457 plan to an IRA and/or contributed at the new, higher federal limits.

In the meantime, we recommend you hold off making major changes to your account. We will continue to monitor the bills: AB 1122 and AB 1744 (Corbett), AB 1743 (J. Campbell), SB 657 (Scott), and SB 1256 (Brulte). Watch for updates on our Web site.

May is Retirement Planning Month

On Thursday, May 9, CalPERS will host the annual Retirement Planning Fair on the West Steps of the State Capitol. Visit the SPP booth from 10 am to 2 pm. This year's theme is *"Building a Better Bridge for Tomorrow."*

Whether your retirement is several years off or this year, it is important to develop a plan to achieve your retirement goals. Ask yourself: How much income will I need? How much will my

CalPERS pension provide? How much should I invest in a 401(k) and/or 457 plan through Savings Plus? Assets you build up through Savings Plus can bridge the gap to a secure retirement.

Look for more fair information in the Spring edition of CalPERS *Perspective* or visit the CalPERS Web site at www.calpers.ca.gov. Additional fairs will be held in Los Angeles and San Francisco. Dates will be announced soon.

SPP Web Site Wins 1st Place

The Savings Plus Web site has won first place in a nationwide competition among 401(k) plans.

"We are very excited about this award. Educating our employees about retirement savings and investment options is a responsibility we take very seriously," said Karen Alejo, SPP Administrator.

Governor Davis also commended SPP's "customer-first approach to the Web and use of technology."

The award, by Pensions & Investments newspaper, was announced February 26 in Hollywood, Fla. at the newspaper's annual conference.

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Vanguard Reduces Cost of Funds

The cost for you to invest in two of SPP's funds will go down starting in May. The two funds are Vanguard's GNMA Bond Fund and U.S. Growth Fund.

The lower costs result from Vanguard's conversion of these two funds to a new "share class," which refers to the category of mutual fund offered by the investment provider. Each mutual fund's separate "share class" has a different expense; as a result, the net investment performance will vary.

The new "Admiral Shares" class offers the same investment products at a cost that is lower than the current "Investor Shares" class. (The cost will be 8 basis points lower.)

Administrative costs charged by some of SPP's fund providers are separate from the fees SPP charges participants. SPP fees show up on your statement. Administrative charges by the fund providers come out of your rate of return but are not broken out on your statement. Providers list these charges in the fund prospectus.

The GNMA Fund's new ticker symbol will be **VFIJX**; newspapers will list it as **GNMAAdml**. The U.S. Growth Fund's new ticker symbol will be **VWUAX**; newspapers will list it as **USGroAdml**.

Once the new "Admiral Shares" are in effect, the Voice Response System codes for the GNMA and U.S. Growth funds will change. (Current codes are listed in the box to the right. We will provide a new list in the next NewsLine.) The GNMA Fund code will be 8240. The U.S. Growth Fund code will be 8954.

Refer to Vanguard's Web site for more information. You can reach this site from SPP's Web page. Click on "Plan Info & Forms," then click on "Links to Fund Providers."

VRS Fund Codes

The VRS requires a 4-digit code for an investment option you want to inquire about or change. This list of fund codes is current as of January 1, 2002.

FUND	CODE
Accessor Small to Mid Cap Adv	2240
CalPERS/S&P 500 Index	2750
CalPERS/US Intermediate	2752
CalPERS/US Short-Term	2751
Domini Social Equity	2802
Dwight Asset Management GIC	2810
Federated Stock Trust	3445
Franklin Balance Sheet Investment	7817
Glenmede Inst International	4350
Hartford Advisers HLS	4250
Hartford Stock HLS	4252
Janus Twenty	5270
<i>Garthmore Investor Destination Funds</i>	
ID – Aggressive	9723
ID – Moderately Aggressive	9722
ID – Moderate	9721
ID – Moderately Conservative	9720
ID – Conservative	9719
Savings Pool	2230
T Rowe Price Mid-Cap Growth	7736
VALIC Fixed Annuity	8965
Vanguard GNMA	8344
Vanguard Total Bond Mkt Index	8261
Vanguard US Growth	7824
<i>Hartford Variable Annuity Sub Accounts</i>	
American Century Income & Growth	4237
Franklin Small -Mid Cap Growth Fund	4239
Hartford Bond HLS	4233
Hartford Capital Appreciation HLS	4238
Hartford Index HLS	4324
Hartford Money Market HLS	4231
Hartford Mortgage Securities HLS	4232
Janus Adviser International	4240
Janus Balanced	4230
MFS Capital Opportunities	4235
MFS Mass. Investors Growth Stock	4236
PCRA Sweep Account	7272

SPP Automates Payments When You Turn Age 70°

If you were born between July 1, 1930, and June 30, 1931, you may have received a check recently from Nationwide Retirement Solutions, the record-keeper for SPP. The IRS requires you to receive this minimum payment from your 401(k) and/or 457 plan each year once you reach age 70°.

These annual payments – called “required minimum distributions” – are supposed to start the year **after** you turn age 70° or retire, whichever is later. We recently automated our system so that your required payments will be sent to you automatically at the appropriate time if you were born after July 1, 1930. These annual payments are issued by the end of each year.

However, if you were born prior to July 1, 1930, and you do **not** already get minimum distributions each year, you need to call us to start up these payments. (See the

article to the right for details.) Do not delay or you may be subject to IRS penalties. Required minimum distributions that are issued more than a year after the required time may be taxed an amount equal to 50% of the distribution.

Even with our recent automation of the minimum distribution process, you should fill out a Beneficiary Payment Application form. Forms are available on the SPP Web site or may be ordered by calling SPP’s toll-free number. This ensures we have your current address for sending out your required payments. You can also use this form to select other payment methods.

You have the option to delay your first required minimum distribution for one year. However, if you delay, you will receive two payments the following year. Since these payments are taxed as income, the delay may result in a higher tax liability.

If you did not receive a check from Nationwide recently, and you were born between July 1, 1930, and June 30, 1931, you need to call our customer service department at 1-866-566-4777 (press the star key, then 0).

Were you born before July 1, 1930?

We need to hear from you if:

you were born prior to July 1, 1930, **and** you are **not** receiving annual payments from your 457 and/or 401(k) account.

Please call our toll-free number at 1-866-566-4777. When you hear the recording, press the star key (*), then 0. A customer service representative will come on the line. Ask for help starting your “required minimum distribution.” This is necessary only if you are older than 70°.

SPP Strengthens Privacy Safeguards

Your statement this month no longer shows your Social Security number. We’re making this change to further protect your privacy. We will soon remove Social Security numbers from all correspondence, distribution checks, and direct deposit notices.

Your privacy is important to us. Rest assured that we will continue to limit access to personal information to employees who are legally authorized to use it to administer your account. We pledge our commitment to treat your personal information responsibly.

Password & PIN Reminder

For your protection, the SPP Web site and VRS require a separate password/PIN to access your account. Your online password must be 8-20 characters (numerals and/or letters). For the VRS, you must create a 4-digit Personal Identification Number (PIN), using only numerals.

Check the Web for Beneficiary Info

Do you remember who you designated as your beneficiaries for your 401(k) and 457 plans? If you forgot, you can now look it up on our Web site on the “My Account” page. Since this page is password protected, only you can view this information.

This information is important because without it you have no control over who gets your SPP assets when you die. If your family status changes due to marriage, divorce, change in dependents, etc., fill out a new designation form for each plan (401k and 457), even if your designation is the same for both plans.

Forms are available by Internet or phone. At our Web site, go to “Plan Information & Forms” and select “Forms and Publications.” There are separate forms for the 401(k) and 457 plans. By phone, call our toll-free number at 866-566-4777, enter your Social Security number and PIN, press 4, then press 5. Enter 8006 for a 401(k). Enter 8012 for a 457. Allow 6-10 days for delivery.

We also will include your beneficiary designation(s) on future statements, beginning with the statement you receive in July.

New Investment Choices Are Coming

We will add two new choices to our investment lineup this Fall. Your current investment choices will not be affected. However, you may want to review the new choices to see if they enhance your asset allocation.

One of the funds will be a Russell 2000 Index fund. An index fund matches the performance of the funds it is indexed to. The Russell 2000 is indexed to the top 2,000 small publicly traded companies. If you want to invest in small company stocks traded in the U.S., a Russell 2000 Index fund may be a good choice. Although we currently offer a small cap fund, this will be our first index fund in the small cap category.

The other fund we will add to our lineup will be a large cap growth fund. SPP currently offers three other large cap growth funds: Vanguard U.S. Growth Fund, Janus Twenty Fund, and MFS Massachusetts Investors Growth Stock. The latter is available through the Hartford Variable Annuity.

We will select the specific fund providers through a competitive process that considers performance, fees, stability of management, and other objective criteria. The selection will be posted later this year on our Web site and in NewsLine.



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How to Reach Us

Hours:

Lobby: 8:00 a.m. - 5:00 p.m.
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www.sppforu.com

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(866) 566-4777

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(916) 327-4266
8-467-4266 (CALNET)

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New Web Feature

Watch for an exciting new feature coming to the Savings Plus Web site.

Morningstar Associates will provide *ClearFuture*, an investment tool to help you plan an asset allocation strategy. This will complement the Ibbotsen tool and other educational materials on SPP's Web site under the “Investment Education” tab.